
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2008_35 Capacity Refund Mechanism – New Generators

Submitted by

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Date submitted:	24 April 2009

Submission

1. Please provide your views on the proposal, including any objections or suggested revisions.

On 14 November 2008 Griffin Energy submitted a Rule Change Proposal regarding changes to clause 4.26 of the Wholesale Electricity Market Rules (Market Rules). Resulting from the working group discussions, Synergy cannot argue that the proposed rule change improves market outcomes as expressed by the market objectives. Any potential improvement would be at best be marginal and could also result in some negative outcomes. On balance the proposed rule change does not appear to further the market rule objectives.

Synergy would have supported the proposed rule change if it was shown it reduced generation cost. Conclusions resulting from the workshop discussion and the MMA report are that this is not the case for any type of generation technology or technology size. Synergy sees the incentive inherent in the current rule as it applies to summer refunds applying to facilities already expected to arrive late as being superior to the proposed change by encouraging them to minimise that lateness. Unfortunately the proposed rule change may reduce this incentive for already late facilities by capping their refund exposure.

Synergy is also concerned that by reducing the incentive for facilities to arrive as expected potentially exposes the market to the possibility of creating SRC costs for market participants by either causing a SRC or by requiring System Management to exercise SRC capacity.

Synergy is of the view as expressed by the working group, that by making a further rule change shortly after completing an extensive consultation process on refund allocation, which gained broad

market participant approval, potentially reduces confidence external observers would have of the rule change process. Synergy notes the consultant's comment that creating good rules should be the basis for rule change decisions not simply precedence or external perception. Further Synergy notes the findings of the MMA report that do not support the rule change due to a lack of evidence of the benefits to the market.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

As a result of the answers provided by the working group and consultant's comments on this proposed rule change, the overwhelming view is that it is unclear whether it would promote or deteriorate the market.

Based upon comment related to negative external perception resulting from changing rules shortly after a major review with no case established for change, suggests there is no argument to accepting the proposed rule change.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Synergy identifies no substantial cost implications in implementing this rule change.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

Zero time.
